

# Exhibit A

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2005**

**Commission File No.: 0-50231**

**Federal National Mortgage Association**

*(Exact name of registrant as specified in its charter)*

**Fannie Mae**

**Federally chartered corporation**

*(State or other jurisdiction of  
incorporation or organization)*

**52-0883107**

*(I.R.S. Employer  
Identification No.)*

**3900 Wisconsin Avenue,  
NW Washington, DC**

*(Address of principal executive offices)*

**20016**

*(Zip Code)*

**Registrant's telephone number, including area code:**

**(202) 752-7000**

**Securities registered pursuant to Section 12(b) of the Act:**

**None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, without par value**

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold on June 30, 2006 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$46,790 million.

As of February 28, 2007, there were 973,046,601 shares of common stock of the registrant outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

**None.**

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**Purchases of Equity Securities by the Issuer**

The following table shows shares of our common stock we repurchased from January 2005 through December 2006.

	<u>Total Number of Shares Purchased<sup>(1)</sup></u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program<sup>(2)</sup></u>	<u>Maximum Number of Shares that May Yet be Purchased Under the Program<sup>(3)(4)</sup></u>
	(Shares in thousands)			
<b>2005</b>				
January . . . . .	107	\$65.60	—	63,503
February . . . . .	21	57.86	—	63,234
March . . . . .	3	57.17	—	63,957
April . . . . .	3	55.02	—	63,723
May . . . . .	11	57.24	—	63,510
June . . . . .	9	58.79	—	63,359
July . . . . .	5	58.86	—	63,070
August . . . . .	4	52.44	—	62,951
September . . . . .	15	46.70	—	62,755
October . . . . .	37	45.42	—	62,525
November . . . . .	259	47.35	—	62,123
December . . . . .	<u>18</u>	<u>47.67</u>	<u>—</u>	<u>61,364</u>
Total . . . . .	<u>492</u>	<u>\$52.29</u>	<u>—</u>	<u>61,364</u>
<b>2006</b>				
January . . . . .	196	\$53.23	—	60,596
February . . . . .	58	58.10	—	60,112
March . . . . .	61	54.04	—	60,269
April . . . . .	10	52.60	—	61,267
May . . . . .	13	50.38	4	61,160
June . . . . .	13	48.11	4	61,046
July . . . . .	11	48.55	—	60,983
August . . . . .	52	49.29	23	60,900
September . . . . .	19	53.91	7	60,669
October . . . . .	210	58.32	—	60,526
November . . . . .	231	59.92	—	60,047
December . . . . .	<u>26</u>	<u>60.07</u>	<u>9</u>	<u>59,517</u>
Total . . . . .	<u>900</u>	<u>\$56.32</u>	<u>47</u>	<u>59,517</u>

<sup>(1)</sup> In addition to shares repurchased as part of the publicly announced programs described in footnote 2 below, these shares consist of: (a) 513,301 shares of common stock reacquired from employees to pay an aggregate of approximately \$29 million in withholding taxes due upon the vesting of restricted stock; (b) 141,239 shares of common stock reacquired from employees to pay an aggregate of approximately \$7.5 million in withholding taxes due upon the exercise of stock options; (c) 671,449 shares of common stock repurchased from employees and members of our Board of Directors to pay an aggregate exercise price of approximately \$36 million for stock options; and (d) 18,794 shares of common stock repurchased from employees in a limited number of instances relating to employees' financial hardship.

<sup>(2)</sup> Consists of 47,440 shares of common stock repurchased from employees pursuant to our publicly announced employee stock repurchase program. On May 9, 2006, we announced that the Board of Directors had authorized a stock repurchase program (the "Employee Stock Repurchase Program") under which we may repurchase up to \$100 million of Fannie Mae shares from non-officer employees. On January 21, 2003, we publicly announced that the Board of Directors had approved a share repurchase program (the "General Repurchase Authority") under which we could purchase in open market transactions the sum of (a) up to 5% of the shares of common stock outstanding as of December 31,

2002 (49.4 million shares) and (b) additional shares to offset stock issued or expected to be issued under our employee benefit plans. Neither the General Repurchase Authority nor the Employee Stock Repurchase Program has a specified expiration date.

- (3) Consists of the total number of shares that may yet be purchased under the General Repurchase Authority as of the end of the month, including the number of shares that may be repurchased to offset stock that may be issued pursuant to the Stock Compensation Plan of 1993 and the Stock Compensation Plan of 2003. Repurchased shares are first offset against any issuances of stock under our employee benefit plans. To the extent that we repurchase more shares than have been issued under our plans in a given month, the excess number of shares is deducted from the 49.4 million shares approved for repurchase under the General Repurchase Authority. Because of new stock issuances and expected issuances pursuant to new grants under our employee benefit plans, the number of shares that may be purchased under the General Repurchase Authority fluctuates from month to month. No shares were repurchased from August 2004 through December 2006 in the open market pursuant to the General Repurchase Authority. See “Notes to Consolidated Financial Statements—Note 12, Stock-Based Compensation Plans,” for information about shares issued, shares expected to be issued, and shares remaining available for grant under our employee benefit plans. Excludes the remaining number of shares authorized to be repurchased under the Employee Stock Repurchase Program. Assuming a price per share of \$59.76, the average of the high and low stock prices of Fannie Mae common stock on December 29, 2006, approximately 1.6 million shares may yet be purchased under the Employee Stock Repurchase Program.
- (4) Does not reflect the determination by our Board of Directors in February 2007 not to pay out certain shares expected to be issued under our plans. See “Notes to Consolidated Financial Statements—Note 12, Stock-Based Compensation Plans” for a description of these shares.

**Item 6. Selected Financial Data**

The selected consolidated financial data presented below is summarized from our results of operations for the four-year period ended December 31, 2005, as well as selected consolidated balance sheet data as of December 31, 2005, 2004, 2003, 2002 and 2001. In light of the substantial time, effort and expense incurred since December 2004 to complete the restatement of our consolidated financial statements for 2003 and 2002, we determined that extensive additional efforts would be required to restate all 2001 financial data. In particular, significant complexities of accounting standards, turnover of relevant personnel, and limitations of systems and data all limit our ability to reconstruct additional financial information for 2001. Information published for 2001 prior to the filing of our 2004 Form 10-K should not be relied upon. The data presented below should be read in conjunction with the consolidated financial statements and related notes and with “Item 7—MD&A” included in this Annual Report on Form 10-K.

	As of December 31,			
	2005	2004	2003	2002
	(Dollars in millions, except per share amounts)			
<b>Income Statement Data:</b>				
Net interest income . . . . .	\$ 11,505	\$ 18,081	\$ 19,477	\$ 18,426
Guaranty fee income . . . . .	3,779	3,604	3,281	2,516
Derivative fair value losses, net . . . . .	(4,196)	(12,256)	(6,289)	(12,919)
Other income (loss) <sup>(1)</sup> . . . . .	(725)	(812)	(4,220)	(1,735)
Income before extraordinary gains (losses) and cumulative effect of change in accounting principle . . . . .	\$ 6,294	\$ 4,975	\$ 7,852	\$ 3,914
Extraordinary gains (losses), net of tax effect . . . . .	53	(8)	195	—
Cumulative effect of change in accounting principle, net of tax effect . . . . .	—	—	34	—
Net income . . . . .	6,347	4,967	8,081	3,914
Preferred stock dividends and issuance costs at redemption . . . . .	(486)	(165)	(150)	(111)
Net income available to common stockholders . . . . .	<u>\$ 5,861</u>	<u>\$ 4,802</u>	<u>\$ 7,931</u>	<u>\$ 3,803</u>
<b>Per Common Share Data:</b>				
Earnings per share before extraordinary gains (losses) and cumulative effect of change in accounting principle				
Basic . . . . .	\$ 5.99	\$ 4.96	\$ 7.88	\$ 3.83
Diluted . . . . .	5.96	4.94	7.85	3.81
Earnings per share after extraordinary gains (losses) and cumulative effect of change in accounting principle				
Basic . . . . .	\$ 6.04	\$ 4.95	\$ 8.12	\$ 3.83
Diluted . . . . .	6.01	4.94	8.08	3.81
Weighted-average common shares outstanding:				
Basic . . . . .	970	970	977	992
Diluted . . . . .	998	973	981	998
Cash dividends declared per share . . . . .	\$ 1.04	\$ 2.08	\$ 1.68	\$ 1.32
<b>New Business Acquisition Data:</b>				
Fannie Mae MBS issues acquired by third parties <sup>(2)</sup> . . . . .	\$465,632	\$462,542	\$ 850,204	\$478,260
Mortgage portfolio purchases <sup>(3)</sup> . . . . .	<u>146,640</u>	<u>262,647</u>	<u>572,852</u>	<u>370,641</u>
New business acquisitions . . . . .	<u>\$612,272</u>	<u>\$725,189</u>	<u>\$1,423,056</u>	<u>\$848,901</u>

	As of December 31,				
	2005	2004	2003	2002	2001
	(Dollars in millions)				
<b>Balance Sheet Data:</b>					
Investments in securities:					
Trading <sup>(4)</sup> . . . . .	\$ 15,110	\$ 35,287	\$ 43,798	\$ 14,909	\$ (45)
Available-for-sale . . . . .	390,964	532,095	523,272	520,176	503,381
Mortgage loans:					
Loans held for sale . . . . .	5,064	11,721	13,596	20,192	11,327
Loans held for investment, net of allowance . . . . .	362,479	389,651	385,465	304,178	267,510
Total assets . . . . .	834,168	1,020,934	1,022,275	904,739	814,561
Short-term debt . . . . .	173,186	320,280	343,662	293,538	280,848
Long-term debt . . . . .	590,824	632,831	617,618	547,755	484,182
Total liabilities . . . . .	794,745	981,956	990,002	872,840	791,305
Preferred stock . . . . .	9,108	9,108	4,108	2,678	2,303
Total stockholders' equity . . . . .	39,302	38,902	32,268	31,899	23,256
<b>Regulatory Capital Data:</b>					
Core capital <sup>(5)</sup> . . . . .	\$ 39,433	\$ 34,514	\$ 26,953	\$ 20,431	\$ 18,234
Total capital <sup>(6)</sup> . . . . .	40,091	35,196	27,487	20,831	18,500
<b>Mortgage Credit Book of Business Data:</b>					
Mortgage portfolio <sup>(7)</sup> . . . . .	\$ 737,889	\$ 917,209	\$ 908,868	\$ 799,779	\$ 715,953
Fannie Mae MBS held by third parties <sup>(8)</sup> . . . .	1,598,918	1,408,047	1,300,520	1,040,439	878,039
Other guarantees <sup>(9)</sup> . . . . .	19,152	14,825	13,168	12,027	16,421
Mortgage credit book of business . . . . .	<u>\$2,355,959</u>	<u>\$2,340,081</u>	<u>\$2,222,556</u>	<u>\$1,852,245</u>	<u>\$1,610,413</u>
	2005	2004	2003	2002	
<b>Ratios:</b>					
Return on assets ratio <sup>(10)*</sup> . . . . .	0.63%	0.47%	0.82%	0.44%	
Return on equity ratio <sup>(11)*</sup> . . . . .	19.5	16.6	27.6	15.2	
Equity to assets ratio <sup>(12)*</sup> . . . . .	4.2	3.5	3.3	3.2	
Dividend payout ratio <sup>(13)*</sup> . . . . .	17.2	42.1	20.8	34.5	
Average effective guaranty fee rate (in basis points) <sup>(14)*</sup> . . . . .	21.0 bp	20.8 bp	21.0 bp	19.3 bp	
Credit loss ratio (in basis points) <sup>(15)*</sup> . . . . .	1.9 bp	1.0 bp	0.9 bp	0.8 bp	
Earnings to combined fixed charges and preferred stock dividends and issuance costs at redemption ratio <sup>(16)</sup> . . . . .	1.23:1	1.22:1	1.36:1	1.16:1	

(1) Includes investment losses, net; debt extinguishment losses, net; loss from partnership investments; and fee and other income.

(2) Unpaid principal balance of MBS issued and guaranteed by us and acquired by third-party investors during the reporting period. Excludes securitizations of mortgage loans held in our portfolio.

(3) Unpaid principal balance of mortgage loans and mortgage-related securities we purchased for our investment portfolio. Includes advances to lenders and mortgage-related securities acquired through the extinguishment of debt.

(4) Balance as of December 31, 2001 primarily represents the fair value of forward purchases of TBA mortgage securities that were in a loss position.

(5) The sum of (a) the stated value of outstanding common stock (common stock less treasury stock); (b) the stated value of outstanding non-cumulative perpetual preferred stock; (c) paid-in-capital; and (d) retained earnings. Core capital excludes accumulated other comprehensive income.

- (6) The sum of (a) core capital and (b) the total allowance for loan losses and reserve for guaranty losses, less (c) the specific loss allowance (that is, the allowance required on individually-impaired loans).
- (7) Unpaid principal balance of mortgage loans and mortgage-related securities held in our portfolio.
- (8) Unpaid principal balance of Fannie Mae MBS held by third-party investors. The principal balance of resecutitized Fannie Mae MBS is included only once.
- (9) Includes additional credit enhancements that we provide not otherwise reflected in the table.
- (10) Net income available to common stockholders divided by average total assets.
- (11) Net income available to common stockholders divided by average outstanding common equity.
- (12) Average stockholders' equity divided by average total assets.
- (13) Common dividend payments divided by net income available to common stockholders.
- (14) Guaranty fee income as a percentage of average outstanding Fannie Mae MBS and other guaranties.
- (15) Charge-offs, net of recoveries and foreclosed property expense (income), as a percentage of the average mortgage credit book of business.
- (16) "Earnings" includes reported income before extraordinary gains (losses), net of tax effect and cumulative effect of change in accounting principle, net of tax effect plus (a) provision for federal income taxes, minority interest in earnings of consolidated subsidiaries, loss from partnership investments, capitalized interest and total interest expense. "Combined fixed charges and preferred stock dividends and issuance costs at redemption" includes (a) fixed charges (b) preferred stock dividends and issuance costs on redemptions of preferred stock, defined as pretax earnings required to pay dividends on outstanding preferred stock using our effective income tax rate for the relevant periods. Fixed charges represent total interest expense and capitalized interest.

**Note:**

\* Average balances for purposes of the ratio calculations are based on beginning and end of year balances.